

WARNOCK HERSEY INTERNATIONAL LIMITED



AR46

ANNUAL REPORT 1973

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BOARD OF DIRECTORS

E. A. Galvin, *Chairman of the Board and President, Canadian Industrial Gas & Oil Ltd.*
J. Claude Hébert, D.F.C., *President and Chief Executive Officer of the Company*
R. A. Irwin, *Chairman, Consolidated-Bathurst Limited*
R. deWolfe MacKay, Q.C., *Senior Partner, Duquet, MacKay, Weldon, Bronstetter & Thivierge*
G. E. Mara, *President, William Mara Company Limited*
R. R. McLernon, *President, Acer McLernon Incorporated*
Jean Simard, *Vice-President, Simcor Inc.*
F. H. Sobey, *Chairman, Sobeys Stores Ltd.*
P. N. Thomson, *Chairman of the Board of the Company*

OFFICERS

P. N. Thomson, *Chairman of the Board*
J. Claude Hébert, D.F.C., *President and Chief Executive Officer*
Camille Barbeau, *Vice-President, Furniture Division*
C. G. Penney, C.A., *Vice-President, Finance and Treasurer*
I. J. Kilpatrick, C.A., *Group Vice-President*
F. H. Bossons, *Secretary*
John A. Parke, C.A., *Comptroller*
M. Lober, C.A., *Assistant Comptroller*
D. A. Taylor, C.A., *Assistant Comptroller*

ANNUAL MEETING

The annual general meeting of the shareholders will be held on Friday, March 29, 1974, at 3:30 p.m. in the Auditorium on floor Mezzanine 2 of the Royal Bank of Canada Building, One Place Ville Marie, Montreal, Quebec, Canada.



FINANCIAL HIGHLIGHTS

	1973	1972
INCOME		
Total revenues	\$77,513,286	\$58,477,354
Earnings before extraordinary item	3,340,764	1,104,817
Extraordinary income	1,045,930	132,266
Total earnings and extraordinary item	4,386,694	1,237,083
PER COMMON SHARE		
Earnings before extraordinary item	1.70	0.51
Total earnings and extraordinary item	2.26	0.58
Dividends paid on common shares	0.05	—
FINANCIAL		
Working capital	17,520,778	11,989,677
Total assets	67,771,048	52,070,432
Long-term debt	22,869,823	15,935,518
Shareholders' equity	22,104,648	17,864,828

HEAD OFFICE

Suite 4125, 1 Place Ville Marie, Montreal, Quebec H3B 3R2

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company, Montreal and Toronto

SHARE LISTING

Common and Preferred, Montreal Stock Exchange

AUDITORS

Campbell, Sharp, Nash & Field, Chartered Accountants, Montreal, Quebec

SOLICITORS

Duquet, MacKay, Weldon, Bronstetter & Thivierge, Montreal, Quebec

PRESIDENT'S REPORT

It is with great pleasure that I am able to report, on behalf of your Board of Directors, earnings for 1973 which on a fully taxed basis amounted to \$1.70 per common share as compared with \$0.51 per share in 1972. Tax recoveries as a result of losses sustained in previous years brought total earnings to \$2.26 per share as compared with \$0.58 last year.

I am sure that I speak for each of our shareholders in expressing our appreciation and gratitude to our 2,800 officers and employees for their excellent efforts during the year, and to welcome the 600 employees that became part of our organization during the year as a result of the growth of some divisions and the acquisitions within others.

Among the many changes that have taken place in your Company since 1970 has been the appointment of virtually all senior executive personnel to their present positions. I am proud of this new and young team, and I believe that they have been the significant factor in our success in 1973. Our ability to attract and retain such a group is by far the best assurance that your Company can have of continued growth. Among the material enclosed with this report is a new corporate brochure which sets out the members of our team and the operations they manage.

You will no doubt notice that we have greatly expanded our annual report this year in order to provide you with an insight as to how we derive our gross revenues and operating profits, as well as the degree to which we have committed the resources of your Company to our various business operations. As a result of providing this expanded information elsewhere in the annual report, I will not refer here to as many of the individual amounts as has been customary but will confine my comments for the most part to the outlook for 1974.

First, however, let me review with you the financial resources with which we entered 1974. With regard to working capital and shareholders' equity we have, at last, recovered much of the ground lost in 1970.

In doing so we have developed a highly leveraged position in that our long term debt is roughly equal to our total equity position. Most of this debt is really of a medium term nature in that approximately \$18,000,000 falls due in the next five years.

As indicated in note 4 to the financial statements, we have prepaid about \$2,000,000 of 1974 maturities. This was done on the one hand as a means of obtaining the highest yield on temporarily surplus funds, and on the other to relieve any potential strain on 1974 cash flow. In effect these prepayments have provided us with a period of about two years in which to restructure this debt probably by way of a combination of the sale of the remaining marketable securities and the issue by the Company or some of its subsidiaries of bonds or debentures. This latter would permit the extension of repayment terms over a period more logically called long term.

Turning now to 1974, we note that the most recent economic forecasts for Canada indicate a rate of growth in our economy which, although lower than last year, is nonetheless quite significant at around 5% in real terms. However, the concerns of inflation and shortages of raw materials and other goods will be with us throughout 1974 and will continue to provide a major challenge in the form of avoiding a cost price squeeze in the case of inflation and disruption of our production facilities in the case of the shortages mentioned above.

Offsetting these negative factors is the record backlog of unfilled orders in virtually all of our divisions. The Steel Fabrication Group is benefitting from increased activity in the capital goods sector, particularly for storage facilities in the petroleum industry. The Professional Services Group is also influenced by the capital goods sector, particularly the numerous large government projects underway such as the James Bay Project. The Metal Powders Group is continuing to operate at capacity and like several other divisions will benefit for the full year in 1974 from an acquisition made during the course of 1973. We feel we have corrected the problems in the Dis-



PRESIDENT'S REPORT (cont'd)

play Communications Group and expect it to show a considerable improvement. Our Western Ski Operations have reported an encouraging rate of increase in volume for the first two months in 1974, although in Eastern Canada we have suffered from very poor weather conditions so far this year. New orders in our Furniture Group run counter to the widely held opinion that consumer expenditures are expected to decline during the year. We feel that in this last case a decline in expenditures for such products as automobiles is masking a modest increase in expenditures for furniture; and, in addition, furniture dealers are attempting to rebuild inventory positions depleted by the surge in sales last year.

We are looking forward with confidence to a very successful year with substantial growth in revenues and earnings.

Accordingly, your Directors have approved the reinstatement of regular quarterly dividends on common shares at the rate of 5 cents per share, payable on March 29, 1974 to the shareholders of record on March 22, 1974.

J. Claude Hébert, President

March 15, 1974

Montreal

WARNOCK HERSEY INTERNATIONAL LIMITED

and subsidiary companies

EARNINGS AND FINANCIAL REVIEW

	1973	1972	1971
EARNINGS			
Gross revenues	\$77,513,286	\$58,477,354	\$50,749,215
Operating and administrative expenses	67,087,066	53,022,576	48,550,084
Depreciation and amortization	2,171,098	1,572,904	1,322,760
Interest expenses	2,187,910	1,421,221	1,335,591
Minority interests	35,638	54,458	37,990
Income taxes	2,690,810	1,301,378	292,795
Earnings (loss) before extraordinary items	3,340,764	1,104,817	(790,005)
Extraordinary items — net	1,045,930	132,266	235,814
Total earnings (loss) and extraordinary items	\$ 4,386,694	\$ 1,237,083	\$ (554,191)
EARNINGS (LOSS) PER COMMON SHARE			
Earnings (loss) before extraordinary items	\$1.70	\$0.51	\$(0.52)
Total earnings (loss) and extraordinary items	2.26	0.58	(0.39)
FINANCIAL — at year end			
Working capital	17,520,778	11,989,677	11,839,650
Net fixed assets	23,825,791	20,491,956	14,706,552
Total assets	67,771,048	52,070,432	39,200,178
Long-term debt	22,869,823	15,935,518	10,629,010
Shareholders' equity	22,104,648	17,864,828	17,381,963
Number of common shares outstanding	1,885,885	1,835,885	1,835,885

*Interest expense on long term debt only.

Some additional information is useful when examining the above comparative numbers. As the result of a number of decisions made during the period shown, the composition of the company has undergone a substantial change.

In 1968, investments in securities equalled 28.5% of total consolidated assets, whereas in 1973, they represent only 4.9% of assets.

Since 1968, the company has withdrawn from a number of operations which were unprofitable; these include the aircraft, aerospace and stevedoring activities. The latter was accomplished in 1971 with the sale of the assets of the Eastern Canada Stevedoring Division which had, from

1968 to 1971 inclusive, accounted for 35% of consolidated revenues.

The first venture into the furniture industry was made in 1968 with the acquisition of Henderson Furniture Limited and Princeville Furniture Limited. A number of other companies have been added in 1972 and 1973 so that the Furniture Group now accounts for 24.5% of total corporate assets and 23.4% of consolidated gross revenues.

The Steel Fabrication Group only came into existence in 1972 with the acquisition of the Toronto Iron Works, Limited. This group, in 1973, generated 31.5% of consolidated revenues.

WARNOCK HERSEY INTERNATIONAL LIMITED
and subsidiary companies

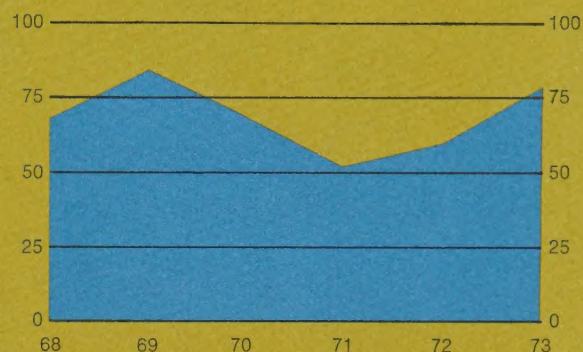


1970	1969	1968
\$68,417,231	\$83,217,415	\$64,992,754
67,970,739	79,304,819	61,027,262
1,922,758	2,328,646	1,447,641
2,264,146	1,142,894*	782,122*
(108,344)	190,950	(108,615)
333,515	673,972	1,331,128
(3,965,583)	(423,866)	513,216
(3,083,968)	3,315,597	3,859,528
<u>\$ (7,049,551)</u>	<u>\$ 2,891,731</u>	<u>\$ 4,372,744</u>

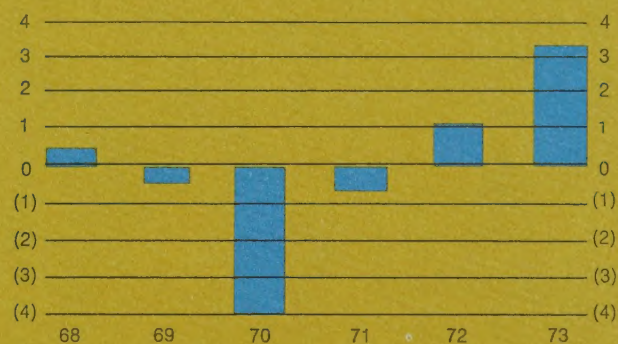
\$ (2.25)	\$ (0.33)	\$0.22
(3.93)	1.51	2.47

8,363,731	14,523,805	13,546,297
16,936,352	23,570,932	22,024,590
52,800,893	65,635,673	69,431,726
10,792,708	14,084,677	16,438,124
17,936,154	25,177,261	22,122,994
1,835,885	1,817,991	1,762,143

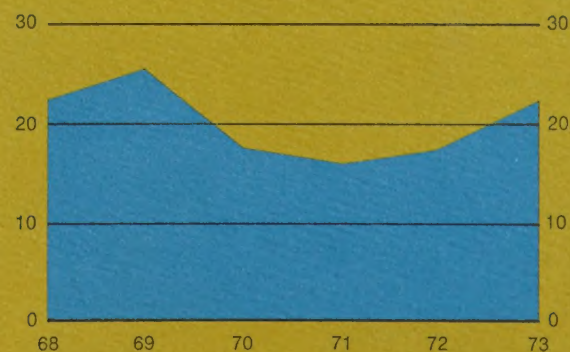
GROSS REVENUES
(in millions of dollars)



EARNINGS (LOSSES) BEFORE EXTRAORDINARY ITEMS
(in millions of dollars)



SHAREHOLDERS' EQUITY
(in millions of dollars)



WARNOCK HERSEY INTERNATIONAL LIMITED

and subsidiary companies

PRINCIPAL OPERATING COMPANIES

FURNITURE GROUP

Radisson Furniture Limited

Henderson Division (2 plants)
St. Lambert, Quebec

Princeville Division
Princeville, Quebec

Radisson Furniture (Quebec) Limited

Marius Ouellet Division
Disraeli, Quebec

Royal Chesterfield Division
Victoriaville, Quebec

Thibault Division
Ste. Thérèse, Quebec

Opus Furniture Inc.

Ste. Thérèse, Quebec

Industries Bourassa (1973) Limitée

St. Raymond, Quebec

STEEL FABRICATION GROUP

Toronto Iron Works Holdings Limited

Toronto, Ontario

C. E. Macpherson (1968) Limited

Kingston, Ontario

Wimco Steel Sales Company Limited

Rexdale, Ontario

Central Bridge Company

Trenton, Ontario

RESORTS GROUP

The Chantecler Hotel (1971) Ltd.

Ste. Adèle, Quebec

Sunshine Village Division

Sunshine Valley, Alberta

Garihaldi Lifts Ltd.

Whistler Mountain, British Columbia

PROFESSIONAL SERVICES GROUP

Professional Services Division

Ville LaSalle, Quebec

The Kleinfeldt Group Limited

Mississauga, Ontario

Contrôle Technique Appliqué Ltée

Ville LaSalle, Quebec

Bégin, Charland & Valiquette (1972) Ltd.

Montreal, Quebec

Cunningham & Rivard Appraisals Ltd.

Vancouver, British Columbia

METAL POWDERS GROUP

International Bronze Powders Ltd.

Valleyfield, Quebec

United States Bronze Powders Inc.

Flemington, New Jersey

Canbro (U.K.) Limited

Royston Herts, England

DISPLAY COMMUNICATIONS GROUP

Trans-Ad Division

Montreal, Quebec

Tek Plastics Limited

Mississauga, Ontario

Wilson Plastic Signs Limited

Mississauga, Ontario

Neon Contractors Ltd.

Calgary, Alberta



FINANCIAL REVIEW BY SEGMENTS

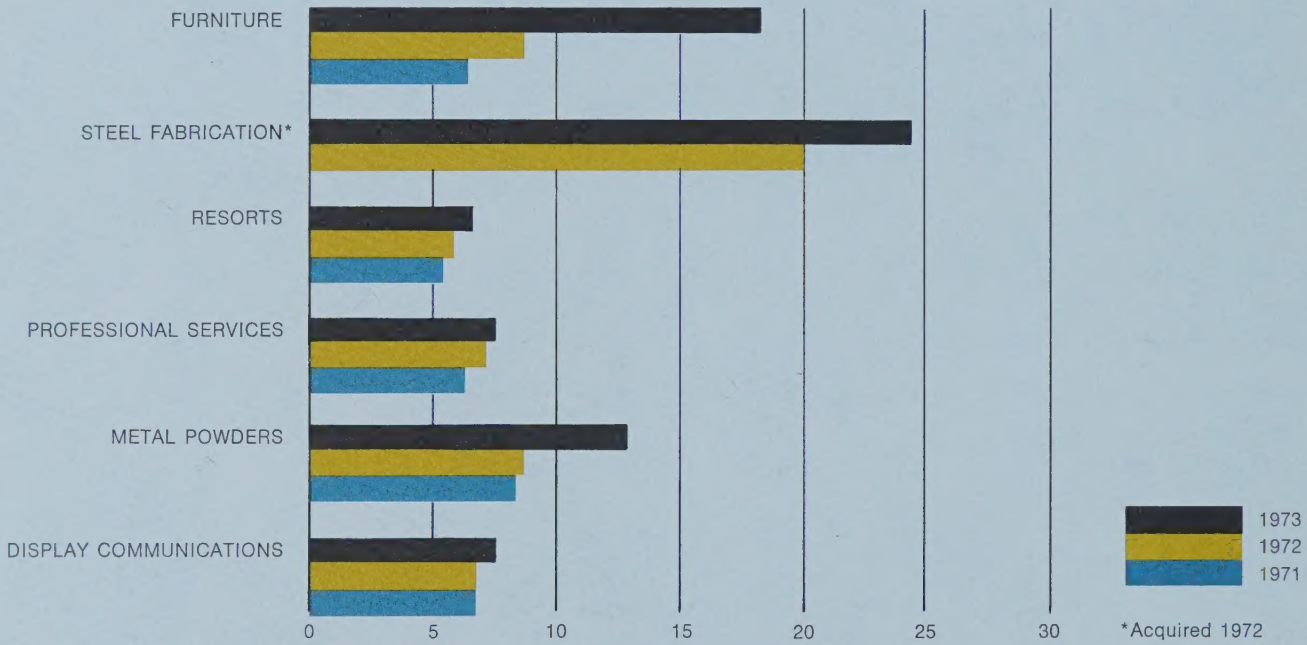
	TOTAL ASSETS (in thousands)			GROSS REVENUES (in thousands)			OPERATING PROFITS (in thousands)		
	1973	1972	1971	1973	1972	1971	1973	1972	1971
FURNITURE	\$16,594	\$ 7,300	\$ 4,900	\$18,145	\$ 8,668	\$ 6,381	\$ 3,013	\$ 1,239	\$ 660
STEEL FABRICATION	17,615	12,955	—	24,390	20,007	—	2,411	1,620	—
RESORTS	9,272	10,847	9,823	6,442	5,892	5,590	1,357	783	745
PROFESSIONAL SERVICES	5,422	4,509	3,382	7,426	7,160	6,251	610	262	267
METAL POWDERS	9,093	6,174	5,418	12,788	8,898	8,487	1,100	424	398
DISPLAY COM- MUNICATIONS	4,101	2,936	2,920	7,732	6,777	6,781	299	383	199
OPERATING	62,097	44,721	26,443	76,923	57,402	33,490	\$ 8,790	\$ 4,711	\$ 2,269
DISCONTINUED OPERATIONS	12	1,105	4,612	—	528	16,725			
CORPORATE and INVESTMENTS	5,662	6,244	8,145	590	547	534			
TOTAL	\$67,771	\$52,070	\$39,200	\$77,513	\$58,477	\$50,749			

RECONCILIATION OF OPERATING PROFITS TO EARNINGS

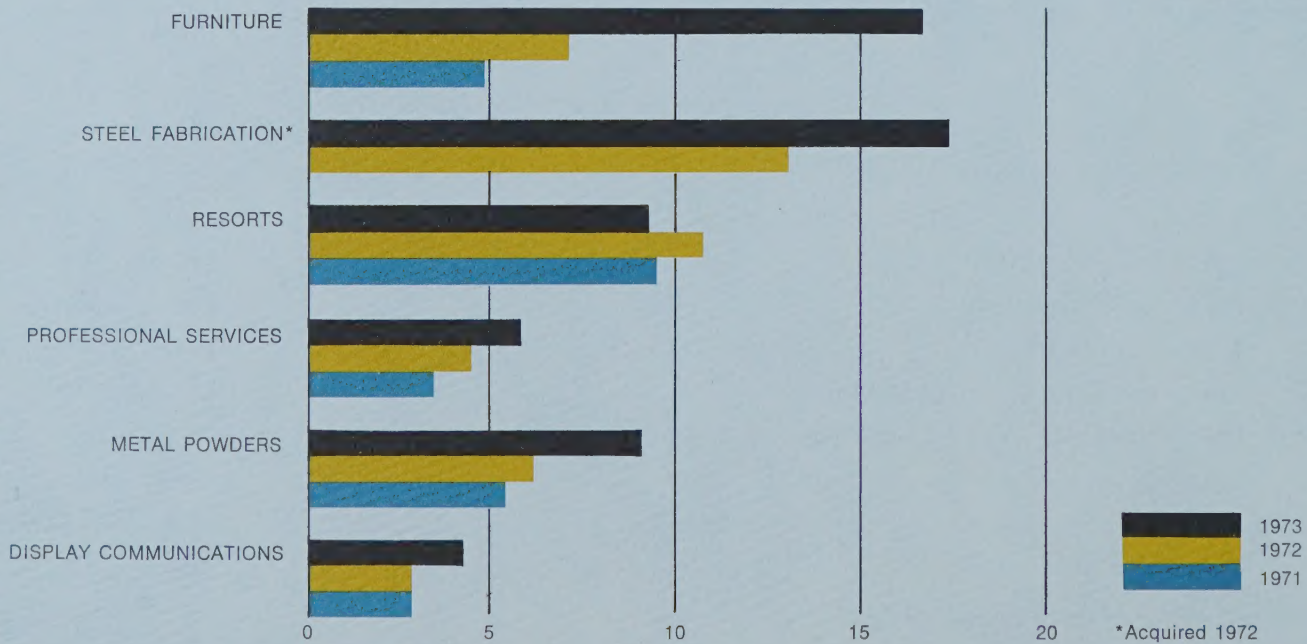
	1973	1972	1971
	(in thousands)		
Operating profits	\$ 8,790	\$ 4,711	\$ 2,269
Investment income not already included	386	467	484
	9,176	5,178	2,753
Less: Amortization of goodwill	170	72	—
Net losses on discontinued operations	336	146	668
Corporate administration	946	857	1,007
Investments — other net expenses (profits)	(529)	78	201
Interest expenses	2,188	1,421	1,336
Income taxes	2,691	1,301	293
Decrease (increase) in equity of associated companies	(3)	144	—
Minority interests	36	54	38
Earnings (loss) before extraordinary items	\$ 3,341	\$ 1,105	\$ (790)

OPERATIONS REVIEW

OPERATING REVENUES BY INDUSTRY GROUP
(in millions of dollars)



OPERATING ASSETS BY INDUSTRY GROUP
(in millions of dollars)





OPERATIONS COMMENTARY

FURNITURE GROUP

Throughout the year this group experienced unprecedented demand for its products, despite higher selling prices brought about by rapidly escalating costs, particularly the cost of wood. The main problem was trying to keep order backlogs at manageable levels. As a result, the furniture factories were constantly operating at capacity.

The decision to approve the expansion of the Marius Ouellet plant at Disraeli at an estimated cost of \$2,000,000 resulted from the extent of the demand for this line of furniture. This addition to the plant, when completed and fully operational, should double the production capacity.

During the year, the following acquisitions were made within the furniture group — Royal Chesterfield Inc., to provide a vehicle to more effectively move into the upholstered market; E. Thibault Ltée, a manufacturer of quality furniture of a unique Quebec design; Opus Furniture Inc., a producer of office furniture; and Industries Bourassa Ltée, a modern lumber operation in Quebec.

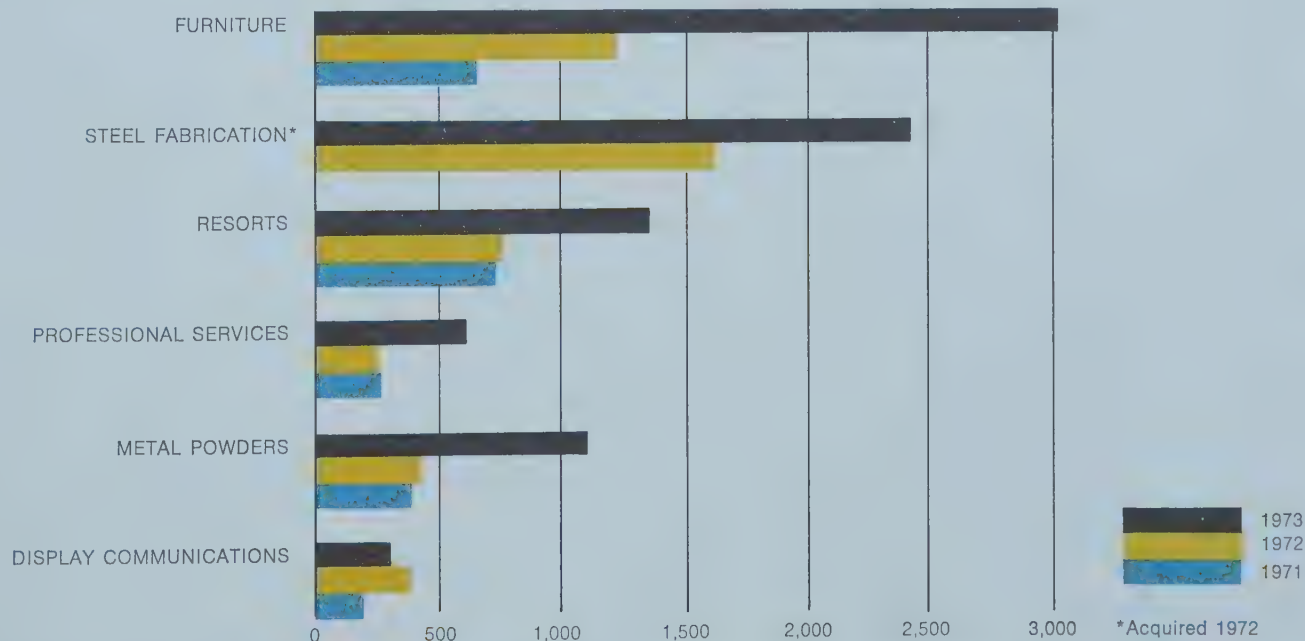
STEEL FABRICATION GROUP

In 1973 there was a significant increase in earnings as volume rose in the plate fabrication division. Due to the rail strike and labour problems at the field erection sites, completion of a number of contracts was delayed. This has postponed the recording of some earnings from 1973 to 1974.

Near the mid-year, C. E. Macpherson (1968) Ltd., a manufacturer of pressure vessel heads, was purchased. The addition of this company provides a natural supplement to the operations within this group.

The steel processing services performed by Wimco Steel Sales Ltd. were in great demand during the entire year. Certain assets of Steel Distributors Ltd. were purchased in 1973. This company had been providing steel services similar to those of Wimco Steel Sales Ltd. A new \$3,000,000 plant is to be built at Oakville, Ontario to house these two operations.

OPERATING PROFITS BY INDUSTRY GROUP (in thousands of dollars)



OPERATIONS COMMENTARY (cont'd)

RESORTS GROUP

The Chantecler Hotel operation in Ste. Adèle, Quebec fell short of expectations due to a poor ski season brought about by adverse weather conditions. This was partially offset by an increase in convention business. These conventions were obtained as a result of a concentrated sales effort. The net results, while less than anticipated, showed a substantial improvement over previous years.

The Garibaldi and Sunshine Village ski operations in Western Canada benefited from fine snow and weather conditions. Skier traffic increased, and justified the major expenditures made in recent years to improve the facilities in both these areas.

Two of the smaller motel facilities, formerly connected with the western operations, were sold during the year. These disposals account for the drop in assets employed by this group.

PROFESSIONAL SERVICES GROUP

Throughout 1973, this group placed particularly strong emphasis on the sales function. This was combined with a constant evaluation of the services provided and development of new services. The results of these efforts were most gratifying. Revenues continued to increase while operating profits showed an attractive improvement.

By way of expansion, a Vancouver based appraisal company, Cunningham & Rivard Appraisals Ltd. was purchased during the year.

Formerly the educational services, based in California, had been included with this industry group. However, this company was not maturing at an acceptable rate and arrangements were made for its disposal late in the year. Its results have been excluded from the accompanying industry group graphs and statistics.

METAL POWDERS GROUP

The metal powders group saw a heavy demand for its products during 1973. Throughout most of the year the plants operated at capacity levels, which allowed an enhanced product mix. Late in the year, due to lack of availability of additional raw materials, some possible markets could not be further exploited. Overall, significant advances were recorded.

A major expansion took place in the United States operations, with the purchase of the inventories and operating facilities of the Valley Metallurgical Processing Co. Inc. at Haskell, New Jersey. This purchase increases our share of the United States market for aluminum paste and powders.

The new plant of Canbro (U.K.) Limited, in England, came on stream in mid 1973. By year end, they were operating at capacity and contemplating the need for enlarging their production facilities.

DISPLAY COMMUNICATIONS GROUP

Due to effective selling in both eastern and western regions, total revenues and subsequently earnings of the transit advertising division were increased. New contracts have been signed with a number of transit authorities and other contracts renewed.

The plastic sign operations expanded with the acquisition of two companies — Wilson Plastic Signs Limited in Toronto and Neon Contractors Ltd. in Calgary. This will increase the volume to be produced at our Toronto plant and also improve our representation in Western Canada.

Initially, the plastic sign division experienced some slowdown in customer order releases. Production problems were then encountered and compounded by the difficulties involved in integrating the new subsidiaries. However, it is believed that these problems are now well in hand and improvements are anticipated.



FINANCIAL STATEMENTS

AUDITORS' REPORT

TO THE SHAREHOLDERS,
WARNOCK HERSEY INTERNATIONAL LIMITED

We have examined the consolidated balance sheet of Warnock Hersey International Limited and subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings and changes in working capital for the year then ended. Our examination of the financial statements of Warnock Hersey International Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies which have been consolidated, we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, based upon our examinations and the reports of the other auditors, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Campbell, Sharp, Nash & Field
Chartered Accountants

Montreal, February 15, 1974.

WARNOCK HERSEY INTERNATIONAL LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS
for the year ended December 31, 1973

	1973	1972
INCOME		
Gross revenue from operations	\$76,923,357	\$57,930,244
Income from investments	589,929	547,110
	77,513,286	58,477,354
EXPENSES		
Operating and administrative	67,090,163	52,878,933
Depreciation and amortization	2,171,098	1,572,904
Interest on long-term debt	1,736,354	1,206,946
Other interest	451,556	214,275
Income taxes	2,690,810	1,301,378
Decrease (increase) in equity of associated companies (Note 1)	(3,097)	143,643
Minority interest	35,638	54,458
	74,172,522	57,372,537
EARNINGS BEFORE EXTRAORDINARY ITEM	3,340,764	1,104,817
EXTRAORDINARY INCOME		
Reduction in income taxes through utilization of loss carry forward (Note 9)	1,045,930	132,266
TOTAL EARNINGS AND EXTRAORDINARY ITEM	\$ 4,386,694	\$ 1,237,083
EARNINGS PER COMMON SHARE		
Before extraordinary item	\$1.70	\$0.51
After extraordinary item	\$2.26	\$0.58

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the year ended December 31, 1973

	1973	1972
RETAINED EARNINGS, January 1	\$ 3,586,791	\$ 3,103,926
Earnings for the year	4,386,694	1,237,083
Reduction of equity of associated companies	—	(338,737)
Dividends paid — preferred shares	(164,350)	(415,481)
— common shares	(92,149)	—
RETAINED EARNINGS, December 31	\$ 7,716,986	\$ 3,586,791



CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL
for the year ended December 31, 1973

	1973	1972
WORKING CAPITAL INCREASED BY:		
Total earnings and extraordinary item	\$ 4,386,694	\$ 1,237,083
Items not requiring an outlay of funds:		
Minority interest in earnings and extraordinary item	35,638	55,192
Depreciation and amortization	2,171,098	1,572,904
Gain on sale of fixed assets	(4,743)	(29,851)
Decrease (increase) in equity of associated companies	(3,097)	143,643
Losses on disposal of investments in subsidiary and associated companies (Note 1)	1,009,368	—
Other	171,881	49,503
	<u>7,766,839</u>	<u>3,028,474</u>
Working capital of subsidiaries purchased during the year net of working capital of subsidiaries sold	4,524,288	3,325,128
Proceeds on issue of long-term debt	11,078,656	9,751,480
Proceeds on sale of subsidiaries	426,758	—
Proceeds on issue of common shares	200,000	—
Proceeds on sale of fixed assets	150,733	408,084
Reduction of notes and mortgages receivable	275,510	300,515
Payments received under executive stock option plan	94,800	106,000
	<u>24,517,584</u>	<u>16,919,681</u>
WORKING CAPITAL DECREASED BY:		
Investment in subsidiary and associated companies	10,458,931	8,397,976
Reduction of long-term debt	4,587,060	5,187,041
Purchase of fixed assets	3,229,402	2,769,156
Advances under executive stock option plans	159,386	—
Repurchase of preferred shares	90,375	—
Payment of special taxes	204,830	—
Payment of dividends	256,499	415,481
	<u>18,986,483</u>	<u>16,769,654</u>
INCREASE IN WORKING CAPITAL	5,531,101	150,027
WORKING CAPITAL, January 1	11,989,677	11,839,650
WORKING CAPITAL, December 31	\$17,520,778	\$11,989,677

WARNOCK HERSEY INTERNATIONAL LIMITED
and subsidiary companies

CONSOLIDATED BALANCE SHEET
as at December 31, 1973

ASSETS

	1973	1972
CURRENT		
Cash and deposit receipts	\$ 2,045,176	\$ 3,392,847
Marketable securities, at the lower of cost or market (Note 2)	3,105,198	4,390,199
Accounts and notes receivable	20,395,950	12,236,045
Inventories, valued at the lower of cost or net realizable value	12,504,964	8,207,926
Prepaid expenses	687,789	648,148
	<u>38,739,077</u>	<u>28,875,165</u>
OTHER ASSETS		
Mortgages and notes receivable, net of current portion	481,091	719,926
Advances in respect of executive stock option plans (Note 3)	358,586	294,000
Investments in associated companies, at equity value (Note 1)	208,423	866,469
	<u>1,048,100</u>	<u>1,880,395</u>
FIXED		
Land, buildings and equipment, at cost	46,049,393	38,978,320
Less: Accumulated depreciation	22,223,602	18,486,364
	<u>23,825,791</u>	<u>20,491,956</u>
INTANGIBLE		
Excess of cost of subsidiaries over the values assigned to the net assets (Note 1)	4,467,816	895,253
Less: Accumulated amortization	309,736	72,337
	<u>4,158,080</u>	<u>822,916</u>
	<u>\$67,771,048</u>	<u>\$52,070,432</u>

ON BEHALF OF THE BOARD

P. N. Thomson, Director

J. Claude Hébert, Director



LIABILITIES

	1973	1972
CURRENT		
Bank indebtedness, secured	\$ 4,955,264	\$ 2,584,744
Accounts payable and accrued charges	11,278,328	7,982,421
Dividends payable	40,193	332,385
Income and other taxes payable	2,471,738	1,961,544
Deferred income taxes — current portion	—	992,000
Long-term debt due within one year (Note 4)	2,472,776	3,032,394
	<u>21,218,299</u>	<u>16,885,488</u>
LONG-TERM DEBT, less amounts due within one year (secured) (Note 4)		
Bank loans	18,034,047	11,994,650
Other loans	4,835,776	3,940,868
	<u>22,869,823</u>	<u>15,935,518</u>
DEFERRED INCOME TAXES	<u>1,106,030</u>	<u>779,700</u>
MINORITY INTEREST	<u>472,248</u>	<u>604,898</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5)		
Preferred shares of \$25 par value, issuable in series		
Authorized 300,000 shares		
Issued 107,180 shares (1972 — 110,795 shares)		
\$1.50 series "A" cumulative redeemable at \$26.25	2,679,500	2,769,875
Common shares of no par value		
Authorized 3,000,000 shares		
Issued 1,885,885 (1972 — 1,835,885 shares)	11,708,162	11,508,162
	<u>14,387,662</u>	<u>14,278,037</u>
RETAINED EARNINGS (Note 5)	<u>7,716,986</u>	<u>3,586,791</u>
	<u>22,104,648</u>	<u>17,864,828</u>
	<u>\$67,771,048</u>	<u>\$52,070,432</u>

WARNOCK HERSEY INTERNATIONAL LIMITED

and subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1973

1. ACCOUNTING PRINCIPLES

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

The Company policy of accounting for the difference between the cost of investment in a new subsidiary and the acquired equity in net assets is to assign this difference firstly to such of the acquired assets as may be undervalued in the accounts of the new subsidiary. Any excess is carried on the consolidated balance sheet as an intangible asset and amortized over a reasonable period of time. To date a total of \$4,467,816 has been accumulated as an intangible asset of which \$3,518,479 is with respect to manufacturing subsidiaries and \$949,337 with respect to service subsidiaries. These amounts are being amortized over 20 and 10 years respectively.

Investments in associated companies are carried on the equity method. These consist of a 50% interest in Atomized Metal Powders, Inc. for 1972 and 1973 as well as for 1972 only, a 35.9% interest in Oceanus Industries (Bahamas) Limited. The latter was sold during 1973 at a substantial loss which together with losses on the sale of certain small subsidiaries was more than offset by gains on the sale of marketable securities.

2. MARKETABLE SECURITIES

	Carrying value 1973	December 31 1972	Market value 1973	1972
Power Corporation of Canada, Limited 375,000 5% preferred shares (1972 — 50,000 common and 525,000 5% preferred shares)	2,965,600	4,150,601	4,218,700	8,181,000
Miscellaneous	139,598	239,598	181,300	239,000
	<u>\$3,105,198</u>	<u>\$4,390,199</u>	<u>\$4,400,000</u>	<u>\$8,420,000</u>

3. ADVANCES IN RESPECT OF EXECUTIVE STOCK OPTION PLANS

The Company has at various times advanced funds to a trustee for the purchase of common shares of the Company to be made available to senior executives and key employees by way of options at the prices paid by the trustee for the shares so purchased.

The outstanding balance is represented by:

a) The cost of 25,000 shares out of an original 100,000 shares acquired by the trustee in 1971 at a cost of \$400,000. (Options for 62,500 shares were exercised in 1972 and for 12,500 shares in 1973 — of the remaining 25,000 shares, options with respect to 18,000 shares may be exercised in whole or in part up to June 30, 1976, and with respect to 7,000 shares in amounts of 2,000 shares each during 5 year periods commencing October 1, 1973, 1974 and 1975 and 1,000 shares during a 5 year period commencing October 1, 1976).	\$100,000
Amounts due under terms of a deferred payment plan for options exercised which allows for five equal annual instalments	99,200
b) The cost of 15,000 shares — exercisable at \$9.10 per share as to 3,750 shares in each of the years commencing May 1, 1974, 1975, 1976 and 1977 with all rights to exercise expiring on April 30, 1978	136,538
c) The cost of 2,900 shares (at an average of \$7.88 per share) as part of an authorized amount of 15,000 shares. Options for these shares have not as yet been allocated.	22,848
	<u>\$358,586</u>

4. LONG-TERM DEBT

During 1973, the Company used surplus funds to prepay certain 1974 maturities of long-term debt aggregating \$1,952,700. The remaining portion of 1974 maturities and those for the years 1975 to 1978 inclusive are as follows: \$2,472,776, \$4,540,186, \$4,414,085, \$3,839,980 and \$2,612,440 respectively.

Of the \$22,869,823 of long-term debt due beyond 1974, \$11,040,436 is due by the Company and \$11,829,387 is due by subsidiaries. The total is comprised of \$18,034,047 of term bank loans, \$1,962,627 of mortgages payable, \$2,132,232 of notes payable and \$740,917 of other loans. Interest rates for the term bank loans fluctuate with changes in prime rate while rates for other items of indebtedness are usually fixed for the term of the debt. The average rate of interest in effect on December 31, 1973 was 10%. Provincial government subsidies on certain items of indebtedness reduce this average rate by approximately 1/2 of 1%.

5. CAPITAL STOCK

During 1973, the Company purchased for cancellation 3,615 shares of the \$1.50 cumulative redeemable preferred series "A". Accordingly, retained earnings include an amount of \$324,125, equal to the par value of shares so cancelled to date, representing capital surplus pursuant to section 62 of the Canada Corporations Act.

50,000 common shares were issued during the year pursuant to an option granted in 1971 to a senior officer and director at \$4.00 per share for a total consideration in cash of \$200,000.

The Company has reserved 15,000 shares of the unissued common stock for purposes of stock options granted in 1972 to senior officers (7,000 shares) and key employees (8,000 shares) exercisable at \$8.00 per share as to 3,750 shares in each of the years commencing December 1, 1973, 1974, 1975 and 1976 with all rights to exercise expiring on November 30, 1977.

6. REMUNERATION OF DIRECTORS AND OFFICERS

Number of directors	11
Remuneration as such	\$ 29,668
Number of officers	9
Remuneration as such	\$336,951
Number of officers who are directors	2

7. CONTINGENT LIABILITIES

Capital Management Limited, a subsidiary company, and its subsidiary, All-Canadian Group Distributors Limited, are defendants in various lawsuits arising out of a management agreement. Legal counsel is of the opinion that such lawsuits are not well founded.

During 1971, a dispute arose between a wholly-owned subsidiary and one of its customers in respect to the cancellation of a supply contract, performance of which is guaranteed by the Company. While the amounts discussed between the parties are substantial, no formal demand has as yet been made.

Legal counsel has advised that in the event of a formal demand or subsequent litigation, the Company and its subsidiary have defenses of real substance. A modest provision for losses, if any, has been made in the accounts with respect to this dispute.

8. CONTRACTUAL OBLIGATIONS

The directors have approved for expenditure in 1974 an aggregate of \$4,600,000 for the construction and equipping of a new plant and a major expansion of an existing plant. In the former case, an agreement has been reached for the sale of existing facilities for a price of approximately \$1,500,000.

9. INCOME TAXES

Losses accumulated in prior years by the Company and certain subsidiaries and amounting to approximately \$5,700,000 may, for income tax purposes, be applied to future earnings.

au 31 décembre 1973

1. PRINCIPES COMPTABLES

Les états financiers consolidés comprennent les comptes de la

La politique de la Compagnie pour combler la différence entre

le coût d'un placement dans une nouvelle filiale et la part ainsi acquise de l'actif net est d'attribuer d'abord cette différence à l'actif acquis qui est sous-évalué aux livres de la nouvelle filiale. Ensuite

tout excédent est porté au bilan consolidé à l'actif intangible et amorti au cours d'une période de temps raisonnable. A date, un montant total de \$4,467,816 a été accumulé à l'actif intangible. De ce montant, \$3,518,479 est attribuable à des filiales de fabrication et \$949,337 à des filiales offrant des services. Ces montants sont

Les placements dans des compagnies associées sont évalués selon les bases de 20 et 10 années respectivement.

Importé. En 1973, cette dernière a été vendue entraînant une perte importante. Cette perte ajoutée aux autres provenant de la vente de certaines petites filiales a été largement compensée par les bénéfices réalisés sur la vente de titres cotés.

2. TITRES COTES

[illegible]

3. AVANCES EN VERTU DES PLANS D'ACHAT D'OPTIONS SOUS OPTIONS POUR CADRES SUPERIEURS

fiduciaire pour l'achat d'actions ordinaires de la Compagnie pour être offertes sous forme d'options aux cadres supérieurs et employés-cie au prix coûtant aux livres de fiduciaire.

(a) Du coût de 25,000 actions d'un montant de 100,000 \$

actions acquises par le fiduciaire en 1971 au coût de \$400,000. (Des options ont été exercées pour 62,500 actions en 1972 et 12,500 actions en 1973. Sur le solde des 25,000 actions des options pour 18,000

actions peuvent être exercées en tout ou en partie
jusqu'au 30 juin 1976; des 7.000 actions, des options

commençant le 1^{er} octobre 1970, 1974 et 1975 à raison de 2,000 actions chacune et 1,000 actions au cours d'une période de 5 ans à partir du 1^{er} octobre 1976.)

Montant à recevoir en vertu d'un plan de paiement
différent pour options exercées, remboursable en 5
versements annuels égaux. Du coût de 15,000 actions — disponibles à \$9,0 par
99,200

action sur 3,750 actions au cours de chacune des années commençant le 1er mai 1974, 1975, 1976 et 1977; tout droit d'exercice expiré le 30 avril 1979.

c) Du coût de 2,900 actions (au coût moyen de \$7,88 par action) faisant partie d'un montant autorisé de 15,000 actions. Les options pour ces actions ne sont pas encore assignées.

\$358,586

4. DETTE A LONG TERME

au cours de 1973, la Compagnie a utilisé l'excédent de fonds pour payer d'avance certains montants de la dette à long terme dus en 1974 et s'élevant à \$1,952,700. Le solde des échéances de 1974 et de celles de 1975 à 1978 inclusivement est de \$2,472,776, \$4,540,186, \$4,414,085, \$3,839,980 et de \$2,612,440 respectivement. Des \$22,869,823 de la dette à long terme échéant au-delà de 1974, \$11,040,436 est dû par la Compagnie et \$11,829,387 est dû par les filiales. Le total comprend \$18,034,047 d'emprunts bancaires à long terme, \$1,962,627 d'hypothèques à payer, \$2,132,232 de billets à payer et \$740,917 d'autres emprunts. Le taux d'intérêt sur les emprunts bancaires à long terme varie selon les fluctuations du taux de base tandis que les taux sur les autres items de la dette sont habituellement fixes pour la durée de la dette. Le taux moyen d'intérêt était de 10% au 31 décembre 1973. Les subventions du gouvernement provincial sur certains items de la dette réduisent ce taux moyen d'environ 1/2 de 1%.

5. CAPITAL-ACTIONS

Conformément à une option accordée en 1971 à un administrateur et dirigeant supérieur, 50,000 actions ordinaires ont été émises au cours de l'année à \$4.00 par action contre paiement total de \$200,000.

La Compagnie a en réserve 15,000 actions des actions non émises aux fins d'options d'actions accordées en 1972 à des dirigeants supérieurs (7,000 actions) et à des employés-cle (8,000 actions); au cours de chacune des années commençant le 1er décembre 1973, 1974, 1975 et 1976 et tout droit d'exercice expiré le 30 novembre 1977.

6. REMUNERATION DES ADMINISTRATEURS

ET DES DIRIGEANTS

11	Nombre d'administrateurs	
9	Rémunération comme tels	\$ 29,668
2	Nombre de dirigeants	\$336,951
	Rémunération comme tels	
	Nombre de dirigeants qui sont administrateurs	

V. PASSIF EVENTUEL

Group Distributors Limited sont détentresses dans différents procédés de Group Distributors Limited et sa filiale Al-Canaan pour le monde entier. Le conseil d'administration est composé de membres du conseil d'administration de Group Distributors Limited et de représentants des autres sociétés affiliées à la Compagnie. Les conseils d'administration des sociétés affiliées ont été constitués par les détenteurs de parts de capital de ces sociétés.

Au cours de l'exercice 1971, il y a eu constatation entre une filiale et un de ses clients au sujet de l'annulation d'un contrat de fournitures dont l'exécution est garantie par la Compagnie. Bien que les montants dont l'exécution est garantie par la Compagnie, aucune demande formelle n'a été faite jusqu'à présent.

Le conseiller juridique indique qu'advenant une demande formelle ou un litige subséquent, la Compagnie et sa filiale ont des arguments de défense solides. Une modeste provision pour pertes, s'il y en a, a été imputée aux comptes quant à cette dispute.

8. OBLIGATIONS CONTRACTUELLES

Les administrateurs ont approuvé un programme d'expansion pour 1974 au montant de \$4,600,000 pour la construction et l'équipement d'une nouvelle usine et l'expansion importante d'une usine déjà existante. Dans ce premier cas, il y a eu entente quant à la vente des installations actuelles au prix approximatif de \$1,500 000.

9. IMPOTS SUR LE REVENU

Les pertes accumulées au cours des années antérieures par la Compagnie et certaines filiales sont de l'ordre de \$5,700,000 et pourront être, pour fins d'impôts, imputées aux bénéfices futurs.



PASSIF		EXIGIBILITES	
		Emprunts bancaires, garantis	
		Comptes à payer et frais courus	
		Dividendes à payer	
		Impôts sur le revenu et autres taxes	
		Partie exigible des impôts sur le revenu différés	
		Dettes à long terme échéant en moins d'un an (Note 4)	
		DETTES A LONG TERME, moins les montants échéant en moins d'un an (garantie) (Note 4)	
		Emprunts bancaires	
		Autres emprunts	
		IMPOTS SUR LE REVENU DIFFERES	
		INTERETS MINORITAIRES	
		AVOIR DES ACTIONNAIRES	
		CAPITAL-ACTIONS (Note 5)	
		Actions privilégiées d'une valeur au pair de \$25 à émettre en séries	
		Autorisées 300,000 actions	
		Emises 107,180 actions (1972 — 110,795 actions) Série "A" — \$1.50 cumulatif,	
		rachetables à \$26.25	
		Actions ordinaires sans valeur au pair	
		Autorisées 3,000,000 d'actions	
		Emises 1,885,885 actions (1972 — 1,835,885 actions)	
		BENEFICES NON REPARTIS (Note 5)	
1973	\$ 4,955,264	11,708,162	11,508,162
1972	\$ 2,584,744	11,387,662	14,278,037
	7,982,421	7,716,986	3,586,791
	332,385	22,104,648	17,864,828
	1,961,544	\$67,771,048	\$52,070,432
	992,000		
	3,032,394		
	16,885,488		
	21,218,299		
	2,472,776		
	2,471,738		
	40,193		
	11,278,328		
	18,034,047		
	4,835,776		
	22,869,823		
	1,106,030		
	472,248		
	779,700		
	604,898		

BILAN CONSOLIDE
au 31 décembre 1973

ACTIF		
DISPONIBILITES		
Encaisse et dépôts	\$ 2,045,176	\$ 3,392,847
Titres cotés, au moins du coût ou du marché (Note 2)	3,105,198	4,390,199
Comptes et billets à recevoir	20,395,950	12,236,045
Inventaires, évalués au plus bas du prix coûtant ou de la valeur nette réalisable	12,504,964	8,207,926
Frais payés d'avance	687,789	648,148
	<u>38,739,077</u>	<u>28,875,165</u>
AUTRES ITEMS DE L'ACTIF		
Hypothèques et billets à recevoir, moins les montants disponibles en déga d'un an	481,091	719,926
Avances en vertu des plans d'achat d'actions sous options des cadres supérieurs (Note 3)	358,586	294,000
Placements dans des compagnies associées à leur valeur comptable (Note 1)	208,423	866,469
	<u>1,048,100</u>	<u>1,880,395</u>
IMMOBILISATIONS		
Terrains, édifices, machinerie, au prix coûtant	46,049,393	38,978,320
Moins: Amortissement accumulé	22,223,602	18,486,364
	<u>23,825,791</u>	<u>20,491,956</u>
INTANGIBLE		
Excédent du coût des filiales sur la valeur attribuée à leur actif net (Note 1)	4,467,816	895,253
Moins: Amortissement accumulé	309,736	72,337
	<u>4,158,080</u>	<u>822,916</u>
	<u>\$67,771,048</u>	<u>\$52,070,432</u>

AU NOM DU CONSEIL D'ADMINISTRATION
P. N. Thomson, Administrateur
J.-Claude Hébert, Administrateur



ETAT CONSOLIDE DES VARIATIONS DU FONDS DE ROULEMENT
pour l'année terminée le 31 décembre 1973

AUGMENTATION DU FONDS DE ROULEMENT		
1973	1972	
\$ 4,386,694	\$ 1,237,083	Total des bénéfices et item exceptionnel
		Items ne requérant pas de débourse:
35,638	55,192	Intérêts minoritaires dans les bénéfices et item exceptionnel
2,171,098	1,572,904	Dépréciation et amortissement
(4,743)	(29,851)	Gain sur vente d'immobilisations
(3,097)	143,643	Diminution (augmentation) de la valeur comptable des compagnies associées
1,009,368	—	Pertes sur vente de placements dans les filiales et compagnies associées (Note 1)
171,881	49,503	Autres
7,766,839	3,028,474	Fonds de roulement de filiales acquises durant l'année moins fonds de roulement des filiales vendues
4,524,288	3,325,128	Produit de l'émission de dette à long terme
11,078,656	9,751,480	Produit de la vente de filiales
426,758	—	Produit de l'émission d'actions ordinaires
200,000	—	Produit de la vente d'immobilisations
150,733	408,084	Diminution des hypothèques et billets à recevoir
275,510	300,515	Montants reçus en vertu du plan d'achat d'actions sous option des cadres supérieurs
94,800	106,000	
24,517,584	16,919,681	DIMINUTION DU FONDS DE ROULEMENT
10,458,931	8,397,976	Placements dans les filiales et les compagnies associées
4,587,060	5,187,041	Diminution de la dette à long terme
3,229,402	2,769,156	Achats d'immobilisations
159,386	—	Avances en vertu des plans d'achat d'actions sous options des cadres supérieurs
90,375	—	Rachat d'actions privilégiées
204,830	—	Palement de taxes spéciales
256,499	415,481	Palement des dividendes
18,986,483	16,769,654	AUGMENTATION DU FONDS DE ROULEMENT
5,531,101	150,027	
11,989,677	11,839,650	FONDS DE ROULEMENT, 1er janvier
\$17,520,778	\$11,989,677	FONDS DE ROULEMENT, 31 décembre

ETAT CONSOLIDE DES BENEFICES
pour l'année terminée le 31 décembre 1973

REVENU		1973	1972
Revenu brut d'exploitation	\$76,923,357	\$57,930,244	
Revenu de placements	589,929	547,110	
	<u>77,513,286</u>	<u>58,477,354</u>	
DEPENSES			
Exploitation et administration	67,090,163	52,878,933	
Dépréciation et amortissement	2,171,098	1,572,904	
Intérêts sur dette à long terme	1,736,354	1,206,946	
Autres intérêts	451,556	214,275	
Impôts sur le revenu	2,690,810	1,301,378	
Diminution (augmentation) de la valeur comptable des compagnies associées (Note 1)	(3,097)	143,643	
Intérêts minoritaires	35,638	54,458	
	<u>74,172,522</u>	<u>57,372,537</u>	
BENEFICES AVANT ITEM EXCEPTIONNEL	3,340,764	1,104,817	
REVENU EXCEPTIONNEL			
Réduction des impôts sur le revenu provenant de l'utilisation d'une perte reportée (Note 9)	1,045,930	132,266	
TOTAL DES BENEFICES ET ITEM EXCEPTIONNEL	<u>\$ 4,386,694</u>	<u>\$ 1,237,083</u>	
BENEFICES PAR ACTION ORDINAIRE			
Avant l'item exceptionnel	\$1.70	\$0.51	
Après l'item exceptionnel	\$2.26	\$0.58	
ETAT CONSOLIDE DES BENEFICES NON REPARTIS pour l'année terminée le 31 décembre 1973			
BENEFICES NON REPARTIS, au 1er janvier		1973	1972
Bénéfices de l'année	4,386,694	1,237,083	
Diminution de la valeur comptable des compagnies associées	—	(338,737)	
Dividendes versés — actions privilégiées	(164,350)	(415,481)	
— actions ordinaires	(92,149)	—	
BENEFICES NON REPARTIS, au 31 décembre	<u>\$ 7,716,986</u>	<u>\$ 3,586,791</u>	



ETATS FINANCIERS

RAPPORT DES VERIFICATEURS

AUX ACTIONNAIRES DE
WARNOCK HERSEY INTERNATIONAL LIMITED

Nous avons examiné le bilan consolidé de Warnock Hersey International Limited et de ses filiales au 31 décembre 1973 et les états consolidés des bénéfices, des bénéfices non répartis et des variations du fonds de roulement pour l'année terminée à cette date. Notre examen des états financiers de Warnock Hersey International Limited et des filiales dont nous sommes vérificateurs, a comporté une revue générale des procédés comptables ainsi que les sondages des registres comptables et autres preuves à l'appui que nous avons jugé nécessaire de faire dans les circonstances. Quant aux autres compagnies qui ont été consolidées, nous nous sommes fiés aux rapports des vérificateurs qui ont examiné leurs états financiers.

A notre avis, et d'après notre examen et les rapports des autres vérificateurs, ces états financiers consolidés présentent fidèlement la situation financière des compagnies au 31 décembre 1973 et leurs résultats d'exploitation et les variations du fonds de roulement pour l'année terminée à cette date, conformément aux principes comptables généralement reconnus appliqués de la même manière qu'au cours de l'exercice précédent.

Campbell, Sharp, Nash & Field
Comptables agréés

Montréal, le 15 février 1974.

COMMENTAIRES SUR LES EXPLOITATIONS (suite)

GRUPE DES LOISIRS

L'exploitation de l'Hôtel Chantecler n'a pas rendu ce qu'on en attendait en raison d'une piètre saison de ski décaulant de conditions atmosphériques adverses. Une augmentation des congrès y apporta une certaine compensation. Ces congrès furent obtenus par suite d'une concentration des efforts sur les ventes. Bien qu'ils aient été en déca des prévisions, les résultats nets marquèrent une amélioration notable sur les années antérieures.

Les exploitations de ski de Garibaldi et Sunshine Village, dans l'Ouest du Canada ont bénéficié de neige et de conditions atmosphériques favorables. L'augmentation des skieurs justifia les fortes dépenses des dernières années pour améliorer les installations dans ces deux secteurs.

Deux petites installations de motels, reliées aux exploitations de l'Ouest, furent vendues durant l'année. C'est ce qui explique la baisse de l'actif de ce groupe.

GRUPE DES SERVICES PROFESSIONNELS

Durant 1973, ce groupe insista particulièrement sur les ventes, de pair avec une évaluation constante des services offerts et la mise au point de nouveaux services. Les résultats en furent très encourageants. Les revenus continuèrent d'augmenter et les profits d'exploitation marquèrent une amélioration bénéfique.

En guise d'expansion, on fit l'acquisition, durant l'année, d'une compagnie d'évaluation de Vancouver, Cunningham & Rivard Appraisals Ltd.

Les services éducatifs de Californie faisaient partie de ce groupe d'industries auparavant. Ne progressant pas à un rythme convenable, il a été décidé en fin d'année de prendre les dispositions nécessaires afin de s'en débarrasser. Ses résultats ont été exclus des graphiques et statistiques du groupe d'industries ci-jointes.

GRUPE DES METAUX EN POUDRE

Le groupe des métaux en poudre connaît une forte demande de ses produits durant la plus grande partie de l'année et l'usine fonctionna à capacité, ce qui permit d'augmenter la variété des produits. Vers la fin de l'année, en raison de rareté de matières premières additionnelles, on n'a pu exploiter davantage certains marchés possibles. Dans l'ensemble, on a marqué des progrès notables.

Une expansion importante eut lieu aux exploitations des Etats-Unis par suite de l'achat des stocks et des installations d'exploitation de Valley Metallurgical Processing Co. Inc., à Haskell, New Jersey. Cet achat accroît notre part du marché des Etats-Unis pour la pâte et les poudres d'aluminium.

La nouvelle usine de Canpro (U.K.) Limited, en Angleterre, fut mise en marche au milieu de 1973. En fin d'année, elle fonctionnait à capacité et envisageait la nécessité d'agrandir ses installations de production.

GRUPE DES ENSEIGNES PUBLICITAIRES

Par suite de l'efficacité des ventes dans les régions est et ouest, le total des revenus et, par la suite, des bénéfices du groupe de la publicité pour transport en commun augmentèrent. On a signé de nouveaux contrats avec un certain nombre de dirigeants de transport en commun et on a renouvelé d'autres contrats.

Aux enseignes en plastique eut lieu une expansion par suite de l'acquisition de deux compagnies — Wilson Plastic Signs Limited, à Toronto, et Neon Contractors Ltd., à Calgary. On accroîtra ainsi le volume à notre usine de Toronto et on améliorera notre représentation dans l'Ouest du Canada. Au début, le groupe des enseignes publicitaires connaît un certain ralentissement dans l'exécution des commandes. Des problèmes de production survinrent alors et s'ajoutèrent aux difficultés inhérentes à l'intégration des nouvelles filiales. Toutefois, l'on croit que ces problèmes sont en voie de solution et l'on prévoit des améliorations.

COMMENTAIRES SUR LES EXPLOITATIONS

GRUPE DES MEUBLES

L'année durant, ce groupe a connu une demande sans précédent de ses produits, en dépit de l'augmentation des prix de vente suscitée par la montée en flèche du coût de revient, particulièrement le prix du bois. Le grand problème fut de tenir les commandes en souffrance à un niveau contrôlable. En conséquence, les ateliers de meubles ont sans cesse fonctionné à capacité.

La décision d'approuver l'expansion de l'usine Marius Ouellet, à Disraeli, à un coût estimatif de \$2,000,000, résulta de l'ampleur de la demande de cet assortiment de meubles. Une fois terminé et en plein fonctionnement, ce prolongement doublera la capacité de production chez Marius Ouellet.

Durant l'année, le groupe des meubles s'enrichit des acquisitions suivantes — Royal Chesterfield Inc., pour assurer une pénétration plus efficace dans ce marché; E. Thibault Ltée, fabricant de meubles de qualité, de style bien québécois; Opus Furniture Inc., fabricant de meubles de bureaux; et Industries Bourassa Ltée, une exploitation moderne de bois d'oeuvre au Québec.

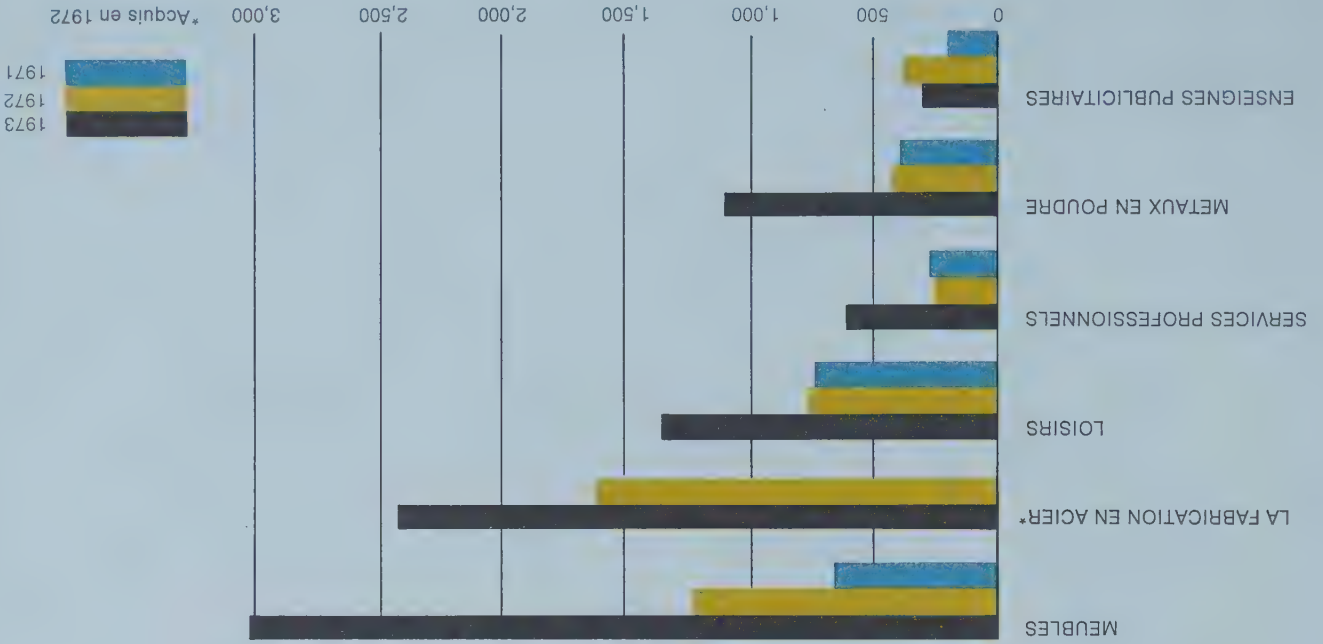
GRUPE DE LA FABRICATION EN ACIER

En 1973, il y eut un accroissement notable des bénéfices par suite de l'augmentation du volume de la division de fabrication de plaques. En raison de la grève du rail et de problèmes ouvriers aux lieux de montage, l'exécution d'un certain nombre de contrats fut retardée. Aussi l'inscription de certains bénéfices a-t-elle été reportée de 1973 à 1974.

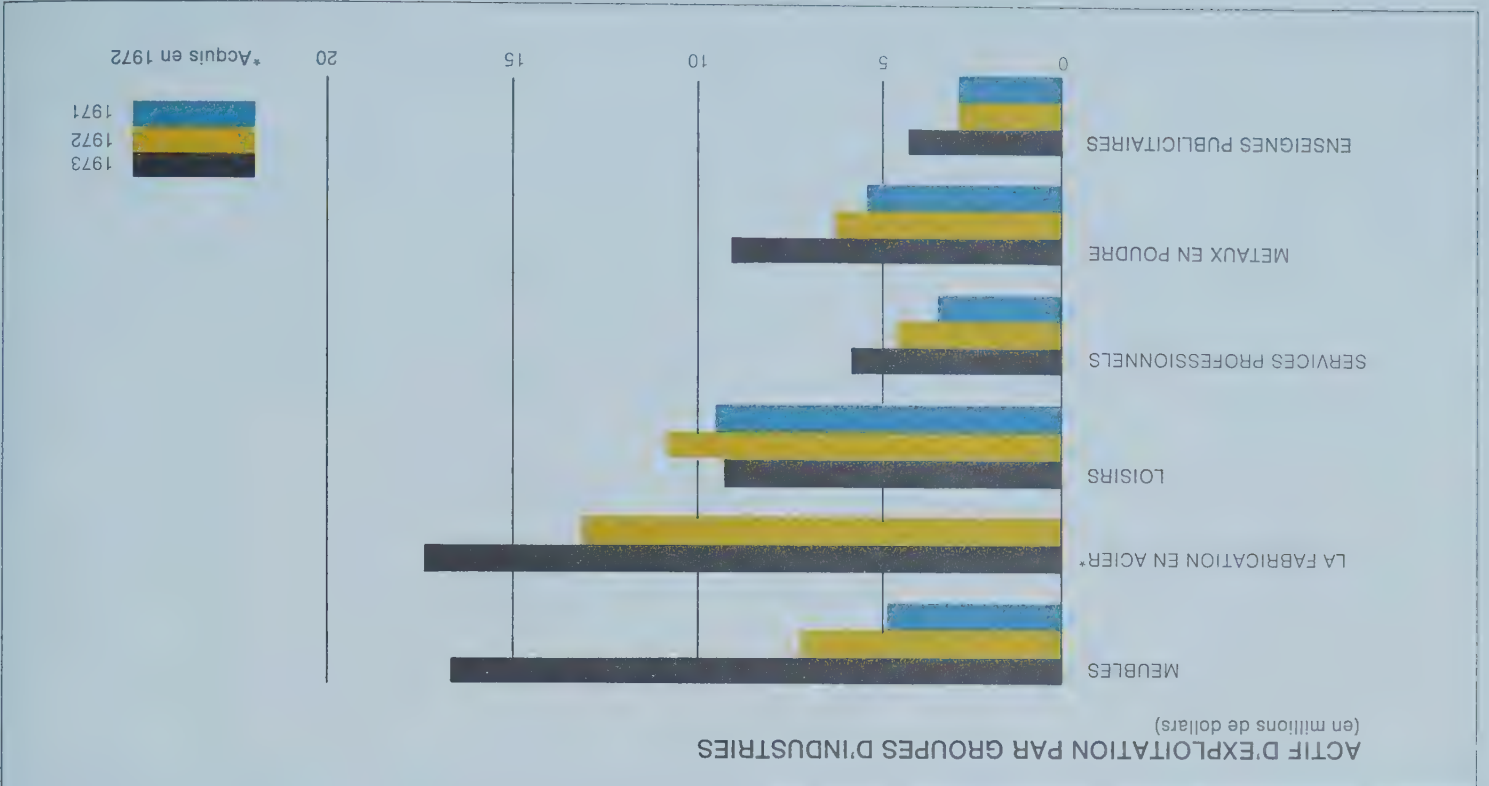
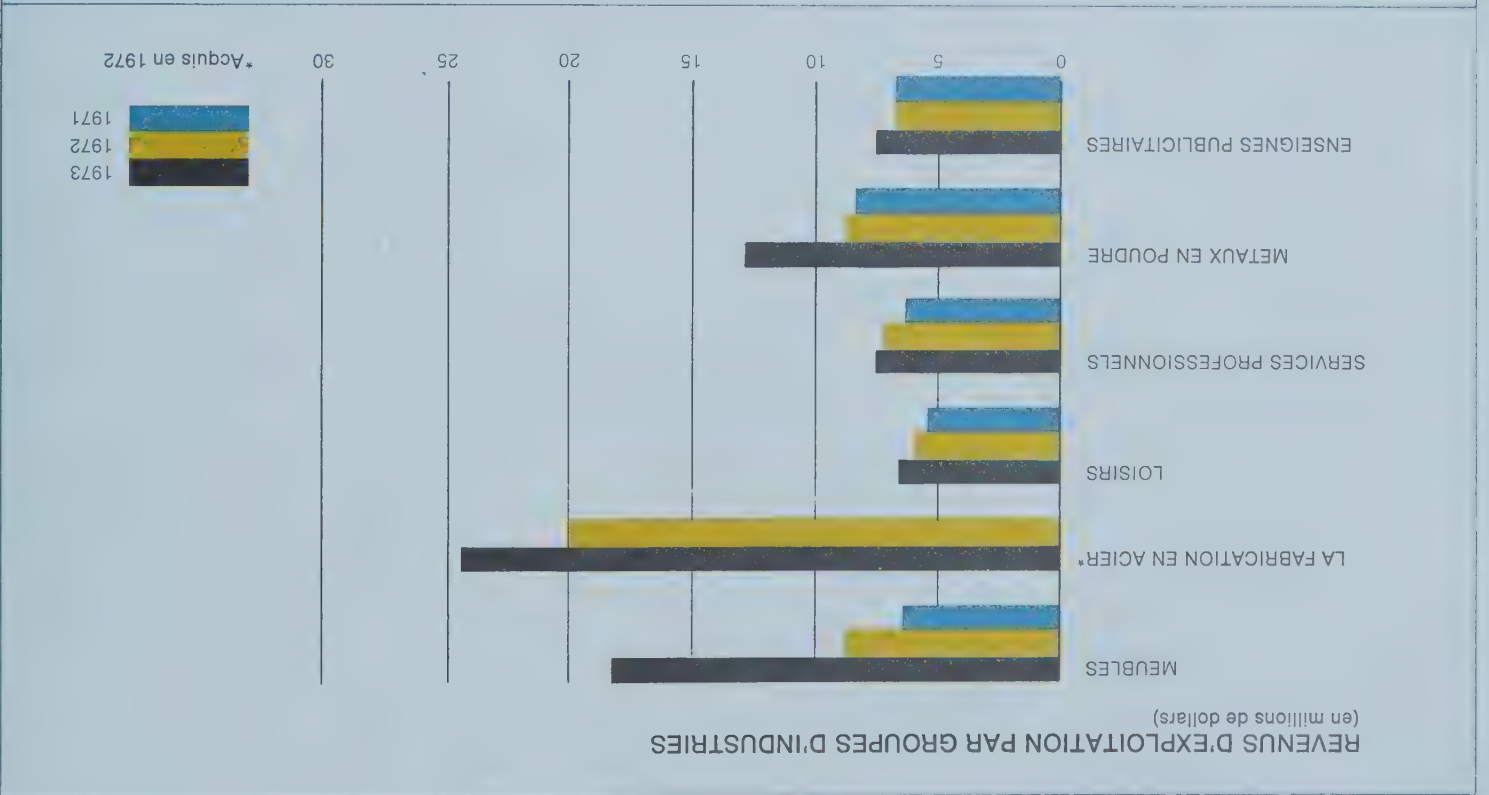
Vers le milieu de l'année, on acquit C. E. Macpherson (1968) Ltd., fabricant de têtes d'autoclaves. L'addition de cette compagnie constitue un complètement naturel des opérations au sein de ce groupe.

Les services de traitement de l'acier exécutés par Wimco Steel Sales Ltd. furent en grande demande l'année durant. Certains éléments de l'actif de Steel Distributors Ltd. furent achetés en 1973. Cette compagnie a fourni au domaine de l'acier des services analogues à ceux de Wimco Steel Sales Ltd. Pour loger ces deux exploitations, on doit construire une nouvelle usine à Oakville, au coût de \$3,000,000.

PROFITS D'EXPLOITATION PAR GROUPES D'INDUSTRIES
(en milliers de dollars)



REVUE DES EXPLOITATIONS



REVUE FINANCIERE PAR SECTEURS

TOTAL DE L'ACTIF (en milliers)				REVENUS BRUTS (en milliers)				REVENUS D'EXPLOITATION (en milliers)			
1973	1972	1971	1973	1972	1971	1973	1972	1973	1972	1971	1973
\$16,594	\$ 7,300	\$ 4,900	\$18,145	\$ 8,668	\$ 6,381	\$ 3,013	\$ 1,239	\$ 660			
MEUBLES											
LA FABRICATION											
EN ACIER											
17,615	12,955	—	24,390	20,007	—	2,411	1,620	—			
LOISIRS											
9,272	10,847	9,823	6,442	5,892	5,590	1,357	783	745			
SERVICES											
PROFESSIONNELS											
5,422	4,509	3,382	7,426	7,160	6,251	610	262	267			
METALLURGIQUES											
9,093	6,174	5,418	12,788	8,898	8,487	1,100	424	398			
EN Poudre											
ENSEIGNES											
4,101	2,936	2,920	7,732	6,777	6,781	299	383	199			
PUBLICITAIRES											
EXPLOITATION											
62,097	44,721	26,443	76,923	57,402	33,490	8,790	4,711	2,269			
EXPLOITATIONS											
ABANDONNEES											
12	1,105	4,612	—	528	16,725						
SIÈGE SOCIAL											
ET PLACEMENTS											
5,662	6,244	8,145	590	547	534						
TOTAL	\$67,771	\$52,070	\$77,513	\$58,477	\$50,749						

CONCILIATION DES PROFITS D'EXPLOITATION ET DES BENEFICES

1973	1972	1971									
\$ 8,790	\$ 4,711	\$ 2,269									
Profits d'exploitation											
Revenu de placements non déjà inclus											
386	467	484									
Moins: Amortissement de l'achalandage											
170	72	—									
Pertes nettes sur exploitations abandonnées											
336	146	668									
Administration du siège social et de la compagnie											
946	857	1,007									
Placements — autres dépenses nettes (profits)											
(529)	78	201									
Frais d'intérêts											
2,188	1,421	1,336									
Impôts sur le revenu											
2,691	1,301	293									
Diminution (augmentation) de l'avoir de compagnies associées											
(3)	144	—									
Intérêts minoritaires											
36	54	38									
\$ 3,341	\$ 1,105	\$ (790)									
Bénéfices (perte) avant items exceptionnels											

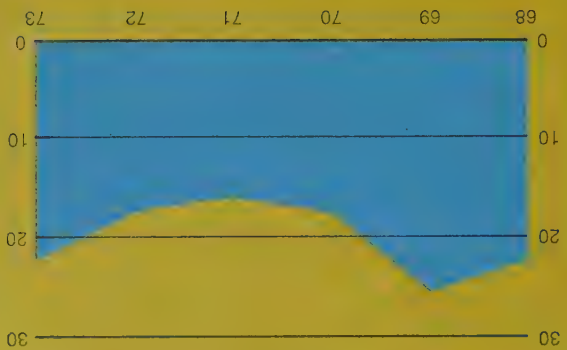
PRINCIPALES COMPAGNIES EN EXPLOITATION

GROUPE DES MEUBLES		Les Meubles Radisson Limitée	Division Henderson (2 usines) St-Lambert, Québec	Division Princeville Princeville, Québec	Les Meubles Radisson (Québec) Limitée	Division Marius Ouellet Disraeli, Québec	Division Royal Chesterfield Victoriaville, Québec	Division Thibault Ste-Thérèse, Québec	Opus Furniture Inc. Ste-Thérèse, Québec	Industries Bourassa (1973) Limitée St-Raymond, Québec	GROUPE DE LA FABRICATION EN ACIER		Toronto Iron Works Holdings Limited Toronto, Ontario	C. E. Macpherson (1968) Limited Kingston, Ontario	Wimco Steel Sales Company Limited Rexdale, Ontario	Central Bridge Company Trenton, Ontario	GROUPE DES LOISIRS		The Chantecler Hotel (1971) Ltd. Ste-Adèle, Québec	Division Sunshine Village Sunshine Valley, Alberta	Garibaldi Lifts Ltd. Mont Whistler, Colombie-Britannique
GROUPE DES SERVICES PROFESSIONNELS		Division des services professionnels Ville LaSalle, Québec	The Kleinfeldt Group Limited Mississauga, Ontario	Contrôle Technique Appliqué Ltée Ville LaSalle, Québec	Bégin, Charland & Valiquette (1972) Ltd. Montréal, Québec	Cunningham & Rivard Appraisals Ltd. Vancouver, Colombie-Britannique	GROUPE DES METAUX EN POUDRE		International Bronze Powders Ltd. Valleyfield, Québec	United States Bronze Powders Inc. Flemington, New Jersey	Canbro (U.K.) Limited Royston Herts, Angleterre	GROUPE DES ENSEIGNES PUBLICITAIRES		Division Trans-Ad Montréal, Québec	Tek Plastics Limited Mississauga, Ontario	Wilson Plastic Signs Limited Mississauga, Ontario	Neon Contractors Ltd. Calgary, Alberta				

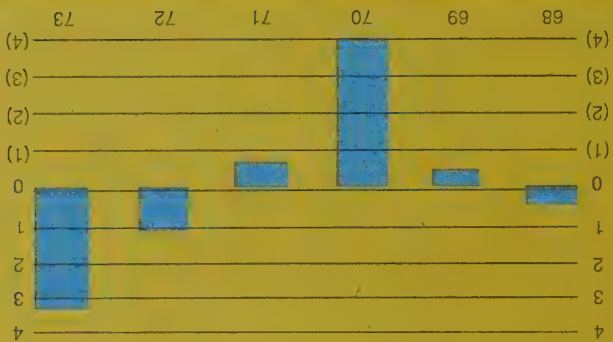
1970	1969	1968
\$68,417,231	\$83,217,415	\$64,992,754
67,970,739	79,304,819	61,027,262
1,922,758	2,328,646	1,447,641
2,264,146	1,142,894*	782,122*
(108,344)	190,950	(108,615)
333,515	673,972	1,331,128
(3,965,583)	(423,866)	513,216
(3,083,968)	3,315,597	3,859,528
\$(7,049,551)	\$ 2,891,731	\$ 4,372,744
8,363,731	14,523,805	13,546,297
16,936,352	23,570,932	22,024,590
52,800,893	65,635,673	69,431,726
10,792,708	14,084,677	16,438,124
17,936,154	25,177,261	22,122,994
1,835,885	1,817,991	1,762,143

\$ (2.25) (3.93)
\$ (0.33) 1.51
\$0.22 2.47

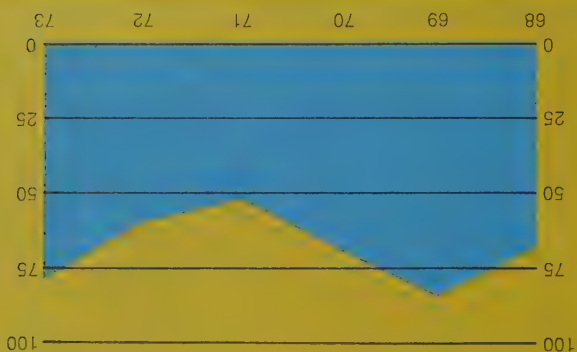
AVOIR DES ACTIONNAIRES



BENEFICES (PERTES) AVANT ITEMS EXCEPTIONNELS



REVENUS BRUTS



REVUE DES BENEFICES ET RESULTATS FINANCIERS

BENEFICES			1973	1972	1971
Revenus bruts			\$77,513,286	\$58,477,354	\$50,749,215
Frais d'exploitation et d'administration			67,087,066	53,022,576	48,550,084
Dépréciation et amortissement			2,171,098	1,572,904	1,322,760
Frais d'intérêts			2,187,910	1,421,221	1,335,591
Intérêts minoritaires			35,638	54,458	37,990
Impôts sur le revenu			2,690,810	1,301,378	292,795
Bénéfices (perte) avant items exceptionnels			3,340,764	1,104,817	(790,005)
Items exceptionnels — nets			1,045,930	132,266	235,814
Total des bénéfices (perte) et items exceptionnels			\$ 4,386,694	\$ 1,237,083	\$ (554,191)
BENEFICES (PERTE) PAR ACTION ORDINAIRE					
Bénéfices (perte) avant items exceptionnels			\$1.70	\$0.51	\$(0.52)
Total des bénéfices (perte) et items exceptionnels			2.26	0.58	(0.39)
RESULTATS FINANCIERS — à la fin de l'exercice					
Fonds de roulement			17,520,778	11,989,677	11,839,650
Immobilisations nettes			23,825,791	20,491,956	14,706,552
Total de l'actif			67,771,048	52,070,432	39,200,178
Dette à long terme			22,869,823	15,935,518	10,629,010
Avoir des actionnaires			22,104,648	17,864,828	17,381,963
Nombre d'actions ordinaires en circulation			1,885,885	1,835,885	1,835,885
*Frais d'intérêts sur dette à long terme seulement.					

Certains renseignements supplémentaires sont utiles à l'examen des chiffres comparatifs ci-dessus. Par suite d'un certain nombre de décisions prises au cours de la période indiquée, la composition de la compagnie a subi un changement notable.

En 1968, les investissements en valeurs mobilières équivalaient à 28.5% du total de l'actif consolidé, alors qu'en 1973, ils ne représentaient que 4.9% de l'actif.

Depuis 1968, la compagnie s'est retirée d'un certain nombre d'exploitations qui n'étaient pas rentables; ce sont les activités aériennes, aéropatiales et d'arrimage. On disposa de cette dernière exploitation en 1971 par la vente de l'actif de notre division Eastern Canada

Stevedoring qui, de 1968 à 1971 inclusivement, avait compté pour 35% des revenus consolidés.

La première percée dans l'industrie du meuble date de 1968 par suite de l'acquisition de Henderson Furniture Limited et Princeville Furniture Limited. Un certain nombre d'autres compagnies a été ajoutée en 1972 et 1973, de sorte que le groupe des meubles représente 24.5% du total de l'actif de la compagnie et 23.4% des revenus bruts consolidés.

Le groupe de la fabrication en acier ne date que de 1972 lors de l'acquisition de Toronto Iron Works, Limited. En 1973, la part de ce groupe représente 31.5% des revenus consolidés.



FAITS FINANCIERS SAILLANTS

REVENU		1973	1972
Total des revenus			
Bénéfices avant item exceptionnel		\$77,513,286	\$58,477,354
Revenu exceptionnel		1,045,930	132,266
Total des bénéfices et item exceptionnel		4,386,694	1,237,083
PAR ACTION ORDINAIRE			
Bénéfices avant item exceptionnel		1.70	0.51
Total des bénéfices et item exceptionnel		2.26	0.58
Dividendes versés sur actions ordinaires		0.05	—
RESULTATS FINANCIERS			
Fonds de roulement		17,520,778	11,989,677
Total de l'actif		67,771,048	52,070,432
Dettes à long terme		22,869,823	15,935,518
Avoir des actionnaires		22,104,648	17,864,828

SIEGE SOCIAL
Suite 4125, 1, Place Ville-Marie, Montréal, Québec H3B 3R2

AGENTS DE TRANSFERT ET REGISTRAIRES

Montreal Trust Company, Montréal et Toronto

VALEURS INSCRITES

Actions ordinaires et privilégiées, Bourse de Montréal

VERIFICATEURS

Campbell, Sharp, Nash & Field, Comptables agréés, Montréal, Québec

PROCUREURS

Duquet, MacKay, Weldon, Bronstetter & Thivierge, Montréal, Québec

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John A. Parke, C.A., *Contrôleur*
M. Lober, C.A., *Contrôleur adjoint*
D. A. Taylor, C.A., *Contrôleur adjoint*

ASSEMBLEE ANNUELLE

L'assemblée générale annuelle des actionnaires aura lieu le vendredi
29 mars 1974, à 15 h. 30, à l'Auditorium, mezzanine 2, édifice de la Ban-
que Royale du Canada, 1, Place Ville-Marie, Montréal, Québec, Canada.

RAPPORT ANNUEL 1973

WARNOCK HERSEY INTERNATIONAL LIMITED

